

**IOWA RACING AND GAMING COMMISSION
MINUTES
APRIL 17, 2008**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, April 17, 2008 at Diamond Jo Worth (DJW), Northwood, Iowa. Commission members present were Kate Cutler, Chair; Gerry Bair, Vice Chair; and members Diane Hamilton, Greg Seyfer and Toni Urban.

Chair Cutler called the meeting to order at 8:30 AM and requested a motion to approve the agenda. Commissioner Bair moved to approve the agenda as presented. Commissioner Urban seconded the motion, which carried unanimously.

Chair Cutler called on Jesus Aviles, General Manager of DJW, who welcomed the Commission to Northwood. He noted that the date was two years, less two days, since the facility opened, and one year since the expansion. Mr. Aviles advised that various representatives of the city were present. He turned the floor over to Kim Miller, President, of Worth County Development Authority (WCDA), who also welcomed the Commission to Worth County. She introduced the superintendents from the various school districts, the five mayors, the three county supervisors and the WCDA board members. Ms. Miller distributed packets to the Commission which showed how the counties, cities and school districts spent the funds received from WCDA, and provided some highlights. She noted that \$1,146,260.06 was distributed to the school districts in 2007. Ms. Miller stated that at the Spring 2008 Awards Banquet held the previous evening, \$1,773,700.04 was distributed to the school districts, \$918,408.04 was distributed in community grants, and the county received \$138,254.97. Overall, WCDA has distributed \$6,454,512.40 in the two years since DJW opened. Ms. Miller concluded her remarks by highlighting the difference the casino license, and the WCDA funds, are having on the county, cities and schools.

Chair Cutler moved to the approval of the minutes and requested a motion. Commissioner Hamilton moved to approve the minutes from the March 6, 2008 Commission meeting as submitted. Commissioner Urban seconded the motion, which carried unanimously.

Chair Cutler called on Jack Ketterer, IRGC Administrator, for announcements. Mr. Ketterer recognized the Commission's employees at DJW, Kathy DeBower and Tom Keenan. With regard to future Commission meetings, Mr. Ketterer advised there is no May meeting, and the June meeting will be on June 5th at Wild Rose Emmetsburg.

Mr. Ketterer then moved to the proposed meeting dates for fiscal year 2009, which are as follows:

- July 17, 2008 Stoney Creek Inn, Johnston
- August 28, 2008 Riverside Casino & Golf Resort, Riverside
- October 9, 2008 Catfish Bend Casino, Burlington
- November 13, 2008 Stoney Creek Inn, Johnston
- January 15, 2009 Stoney Creek Inn, Johnston
- March 5, 2009 Terrible's Lakeside Casino, Osceola
- April 16, 2009 Wild Rose Clinton, Clinton
- June 4, 2009 Stoney Creek Inn, Johnston

He noted the dates would be posted to the Commission's website.

Mr. Ketterer advised that this would be the last Commission meeting for Commissioner Bair. He noted that Commissioner Bair was the former director of the Department of Revenue and Finance, and stated that his understanding of state government and other financial issues was a valuable asset to the staff and Commission. For those who attend the meetings on a regular basis, it was evident that Commissioner Bair took his responsibilities seriously. He was prepared and thorough, generated communication and dialogue through his questions. Commissioner Bair served on the Commission during one of its most challenging periods - the six month application process when the Commission received ten applications and four applicants were granted licenses. Mr. Ketterer stated that Commissioner Bair contributed to the integrity of the process by his presence as well as the integrity of the selection process. He noted this was all done with a sense of humor that is appreciated by everyone. Mr. Ketterer presented Commissioner Bair with a plaque which read: Gerald Bair, in appreciation of your service as a member of the Iowa Racing & Gaming Commission, August 20, 2003 – April 30, 2008.

Commissioner Bair acknowledged past and present Commission members, noting the Commission has faced some interesting and challenging times. He noted that the Commission always seemed to be able to work through issues professionally, and usually reach a consensus. Commissioner Bair pointed out that Boards and Commissions have to set policies and regulations for the groups they regulate, which can lead to adversarial relationships. He noted that the management of the properties and the non-profit groups are very respectful, and when disagreements occur, the parties are able to sit down and discuss the issues, which is a credit to everyone's professionalism.

Commissioner Bair thanked Mr. Ketterer and the staff. He stated that he felt he had the best staff in state government when he was at Revenue, but has found working with Mr. Ketterer and the staff to be a joy, and found them to be very professional. Commissioner Bair stated there were not enough words to express his appreciation of Mr. Ketterer, so he borrowed the following from Chair Cutler's letter in the Annual Report: "As always, there are not enough words to express the Commission's (in this case, my) appreciation of its administrator, Jack Ketterer. Even with the retirement of several key staff members, Jack and his staff provide the commissioners, the industry and the public accurate, thorough and timely information and analysis. Commissioner Bair stated that Jack and the staff's dedication, competency, integrity, and professionalism set a standard for the

industry.” Commissioner Bair noted those traits start at the top, and thanked Mr. Ketterer for guiding the Commission through a difficult time (the licensing process).

Chair Cutler stated that Commission will miss Commissioner Bair and his expertise.

Chair Cutler moved to the presentation by Centerbridge Capital Partners PNG-B, L.P. (Centerbridge) and Fortress Investment Group LLC (FIG) regarding their acquisition of Penn National Gaming, Inc. (PNG). Thomas Auriemma, Vice President and Chief Compliance Officer (CCO) for PNG, stated that on June 15, 2007 affiliates of FIG and Centerbridge entered into an agreement with PNG’s Board of Directors to take PNG from a publicly traded company to a private company. He advised that this transaction is similar to the Harrah’s transaction with Apollo and TPG; noting that PNG’s contract is modeled after that agreement. Mr. Auriemma stated the following individuals were present: Stacey Hall and Curt Beason, Iowa legal counsel; Kees Eder and Mike Galle, General Manager and Assistant General Manager of the Argosy Sioux City property; and Richard Vitali, General Counsel for Argosy. Present and representing FIG and Centerbridge respectively are Justine Cheng and Jason Mozingo. Mr. Auriemma gave a brief summary of events following the signing of the agreement by FIG, Centerbridge and PNG. PNG has 19 gaming facilities in 15 jurisdictions in the United States and Canada, some of which are full-scale casinos/hotels, while others are riverboats, slot facilities, and racetracks. Mr. Auriemma stated that PNG needs regulatory approval in virtually all of the jurisdictions in order to consummate the proposed transaction.

Mr. Auriemma advised that FIG and Centerbridge hired Frank Schreck, a prominent Nevada regulatory attorney, to represent them. Mr. Schreck also represented TPG and Apollo in the Harrah’s transactions. Mr. Schreck then hired the same local legal counsel for this transaction as well. On August 15th, the necessary Division of Criminal Investigation background forms were filed on behalf of nine individuals – six from FIG and three from Centerbridge, as well as the corporate backgrounds for FIG and Centerbridge. Information concerning the financial aspects of the transaction has also been filed.

As to how this transaction will affect PNG once it is finalized, Mr. Auriemma stated that PNG will be held by three groups – FIG, Centerbridge and Peter Carlino, the current Chairman of the Board and Chief Executive Officer (CEO). The transaction required Mr. Carlino to sign a five-year employment agreement with FIG and Centerbridge. Mr. Auriemma advised that Mr. Carlino will be investing a significant amount of his own money in the private company once the transaction is consummated. The agreement signed by FIG, Centerbridge and PNG requires the transaction to be consummated within one year of signing, or June 15, 2008. Mr. Auriemma stated that investigations are underway throughout the United States and Canada regarding this transaction; and thus far, Ohio, New Jersey, West Virginia, New Mexico, Pennsylvania, Mississippi have approved the transaction. Tentative approval dates between now and early June have been received in the other jurisdictions. He indicated that FIG, Centerbridge and PNG

expect to receive all of the necessary approvals by early June, and be able to close the transaction in June.

As to what this transaction means for PNG, Iowa and the local property, Mr. Auriemma stated that from an operational standpoint, there will no managerial changes, noting that FIG and Centerbridge are not purchasing PNG to make changes. They are purchasing the company based on the strength of its management and the growth opportunities that PNG presents. No managerial changes are expected at the corporate level. Mr. Auriemma advised that PNG is committed to Iowa.

Mr. Auriemma turned the floor over to Ms. Cheng and Mr. Mozingo. Ms. Cheng, Vice President of FIG, advised that FIG is an alternative asset manager that is publicly traded on the New York Stock Exchange as FIG. The company was founded in 1998 by the five principals on whom background investigations are being conducted. FIG manages approximately \$30 billion in third party capital, which is derived from college endowments, pension funds, and retirement funds. FIG's headquarters are in New York, with branch offices in Europe, Asia, Canada, the Americas, and Australia, and has 800 employees. Ms. Cheng stated that FIG's assets are held in two "buckets": the Private Equity Fund and the Hedge Funds, with each holding approximately one-half of the assets that FIG manages. If the transaction is approved, the PNG transaction would fall under the Private Equity portion of the company. The Hedge Fund invests in commodities and currency around the world. FIG currently has the following companies in its portfolio: Global Signal (cell towers), Intrawest (Resort Operator), Florida East Coast Industries (rail company), Mapely Limited (UK real estate) and GAGFAH (residential real estate). Ms. Cheng stated that all of FIG's investments are asset-based and have phenomenal management. She stated that FIG is excited to be associated with all of them.

Ms. Cheng advised that background information had been submitted on six individuals: the five founders of the company and Bill Doniger, the lead individual on the PNG transaction.

Mr. Mozingo, the Managing Director for Centerbridge, stated that Ms. Cheng had covered the points of the transaction very well, and elected to just highlight a few from Centerbridge's aspect as asset managers. He advised that Centerbridge's mandate for state pension funds, university endowments, and others are to find great companies to invest in for long-term capital appreciation. He indicated the individuals associated with Centerbridge are not managers, so they focus on companies with strong management and/or leadership. Mr. Mozingo stated that Centerbridge likes the gaming industry which has grown at a phenomenal rate over the last 20 years. He noted that PNG is one of the leaders with a well-diversified platform, which is beneficial in growing revenues and maintaining cash flow. Mr. Mozingo advised that Centerbridge's plan is to help the existing management team grow the business in any way possible.

Mr. Mozingo noted that Centerbridge is a relatively new fund; they have been in existence approximately 2½ years. They manage \$5.2 billion in capital through a private equity fund (\$3.2 billion and the fund which would be investing in PNG), and a \$2 billion credit-base hedge fund. Currently the company has 30 investment professionals plus administrative and support personnel. Mr. Mozingo stated that Centerbridge has a broad range of investments: GSI (grain storage), Greentree (consumer finance servicing business), Dana (automobile parts supplier) and Holiday Retirement Corp. (senior living business). Background information has been submitted on behalf of the two founders, Jeff Aronson and Mark Gallogly, as well as board member Steve Price.

Mr. Auriemma advised that the ownership transition would be seamless; that all of the rules and regulations that apply to the operation of the property would remain in place – surveillance, internal controls, etc. He stated that PNG has a 24/7 “hotline” for employees to call to report fraud, theft or waste. Those reports go directly to him. Mr. Auriemma pointed out that PNG has a very strong responsible gaming program, which he has enhanced since joining the company a little over a year ago. In concluding his comments, Mr. Auriemma gave a brief comparison of the benefits of private ownership versus public ownership. He indicated that even though the company will be a private company, they will continue to make regular filings with the Securities and Exchange Commission.

Mr. Auriemma stated that PNG wants to continue to grow, and will seek additional growth opportunities following the closing of this transaction. He advised that PNG will continue to enhance the viability of all its properties throughout the country and Canada.

Chair Cutler called on Mr. Ketterer for a timeline with respect to this transaction. Mr. Ketterer stated that Mr. Auriemma served as the Director of the New Jersey Gaming Enforcement until his retirement approximately one year ago, making him very much aware of what the various jurisdictions are looking for. With regard to the Commission’s calendar, he noted that the Division of Criminal Investigation (DCI) conducts the necessary background investigations. At this time, it is anticipated the DCI will present their report to the Commission at the June 5th meeting in Executive Session, and the review and approval will also appear on the June 5th agenda.

Chair Cutler moved to the review of the licensees’ financial audits, and called on Ameristar Casino. Michael Shelton, Vice President of Finance, advised that the Council Bluffs gaming market was essentially flat in 2007 for various reasons. He noted that Ameristar’s gaming revenue was down just over 3%, but net income increased due to a reduction in interest due on notes payable. Payments to local and state governments and Iowa West Racing Association (IWRA) totaled \$44.6 million for 2007; another \$5.9 million was remitted in the form of property taxes to Pottawattamie County, payroll taxes, sales tax, and local charitable contributions for a total of \$50.5 million in direct payments to various government agencies and non-profit organizations. Mr. Shelton advised that salary, wages and direct benefits totaled \$36.2 million, \$19.2 million of goods and services were secured from Iowa-based businesses for a total direct economic

impact on the region of just over \$106 million. He noted that Ameristar employs approximately 950 full-time employees and 185 part-time employees.

Commissioner Hamilton asked Mr. Shelton what he felt contributed the most to the revenue decrease from 2006 to 2007. Mr. Shelton stated it was difficult to quantify which would apply to different situations. The first difference in year-over-year comparison is not the same as the Horseshoe expansion opened in mid-March 2006, and the second issue is the economy.

Commissioner Hamilton noted that when a facility does a major renovation of the property, patrons will check out the new facility for a period of time. Mr. Shelton concurred with Commissioner Hamilton's statement, noting they had experienced a shift in their market base.

Commissioner Bair asked Mr. Shelton what strategy, if any, that could be shared, Ameristar has considered to help offset the possible economic downturn over the next year or two. Commissioner Bair indicated that he would like all of the properties to answer this question.

Mr. Shelton stated that on a continuing basis, and not just in an economic downturn, Ameristar looks at more targeted marketing to customers. He pointed out that while gaming revenue decreased from 2006 to 2007, their promotional allowances and comps increased at a higher percentage. He noted that Ameristar is continuously looking at other costs and determining ways to operate more efficiently.

Chair Cutler called on Argosy Casino – Sioux City. Brian Wessels, Director of Finance, advised that the property had another solid year in 2007; gaming revenues increased approximately \$700,000 to \$57.5 million, or about 1.3%. Payroll and benefits were approximately \$12.4 million; gaming and admission taxes were \$16.5 million of which \$1.8 million went to the non-profit and \$2 million to the city.

Commissioner Bair asked for any strategies that Argosy might employ to offset an economic downturn. Mr. Wessels indicated his response would be similar to Ameristar – targeted marketing and keep the property fresh and clean. Those are areas where they have seen success in the past. He noted that Argosy has experienced revenue growth for the last ten years.

Chair Cutler called on Catfish Bend Casino (CBC). Jerry Baum, Chief Operating Officer of Great River Entertainment (GRE), advised that CBC commenced operations in the Burlington land-based facility in June 2007. After two months of operations, CBC realized that the amount of funds being spent to market and promote both properties was not driving sufficient revenues to continue on that path. Therefore, on November 15, 2007, the Fort Madison facility was shut down.

Mr. Baum stated that CBC has assets totaling \$18.8 million - current assets represent \$3.9 million, and property and equipment total \$10.29 million. Liabilities total \$12.1 million - \$3.5 million for current liabilities and \$8.6 million for bank debt, which is held by Morgan Stanley. Mr. Baum stated that gaming revenue for 2007 was \$35 million, non-gaming revenue were \$1.7 million and operating expenses were \$28.1 million which resulted in a net loss of \$2.1 million. Total payroll for 2007 was \$8.2 million; the number of employees in December 2007 totaled 264. CBC paid gaming taxes to the state of \$6.4 million, Southeast Iowa Regional Riverboat Commission received \$1.1 million and the city and county each received \$365,000.

Mr. Baum stated that 2007 was a trying year for CBC, Huckleberry Entertainment and GRE with the construction of the facility, getting operations up and running in the new facility and then shutting down the Fort Madison facility. He stated that the company has been restructured to operate more efficiently. Mr. Baum stated that he assumed the duties of Chief Operating Officer in April, and Rob Higgins, the General Manager for the Huckleberry hotel and food operations, was named general manager of both properties.

For the first quarter of 2008, Mr. Baum stated that CBC had almost \$10 million in revenue, representing a 13% increase over budget, and \$2.5 million of EBITDA, or a 32% increase over budget. He advised that CBC and GRE are now generating positive cash flow.

Chair Cutler asked Mr. Baum to address the control deficiencies noted in the audit. Mr. Baum advised that the auditors requested additional detail on the controls relating to various checks and balances in the accounting area, which was provided.

With regard to Commissioner Bair's question as to strategy in an economic downtown, Mr. Baum noted that Burlington is unique in that it is not located on an interstate; however, Highway 61 which passes through Burlington has a high traffic count. Mr. Baum stated that they have a large customer base out of Illinois, and are expanding their marketing and promotional strategies into other areas of Illinois. CBC is somewhat hampered in their efforts as they do not have a large metropolitan area from which to draw customers; another reason that it became cost prohibitive to market both the Ft. Madison and Burlington properties.

Commissioner Seyfer noted that operating expenses were up approximately \$2 million from 2006 to 2007. Mr. Baum indicated the increase was primarily due to operating two properties. In 2006, CBC operated 6 months in Burlington and 6 months in Ft. Madison; but in June 2007 when operations commenced in the land-based operation, CBC kept both facilities running.

Hearing no additional questions for Mr. Baum, Chair Cutler called on the Diamond Jo (DJ). Todd Moyer, General Manager, stated that they are very excited about the Dubuque gaming market, with 2007 being the first full year of operation at Riverside. He noted that the Dubuque gaming market was down 3%, indicating that the weather in

November and December also played a part. Mr. Moyer stated the Dubuque market saw a slight decline in July when the Waterloo property first opened; but saw a bounce back in August with the rest of the year looking very promising.

Mr. Moyer stated that Peninsula Gaming is very excited about Dubuque and is investing \$82.5 million in a new land-based facility. He advised that all of the structural steel is in place. He stated they are doing a good job of marketing the current facility, noting the previous Saturday was the biggest admission and slot revenue day in over three years. Gross gaming revenue was down approximately \$4 million last year, and EBITDA was down just over \$2 million, finishing the year with \$12.6 million. Operating expenses remained flat year over year; however, DJ has experienced some significant pre-opening and development costs relating to the new facility. Mr. Moyer explained the DJ was able to negotiate a deal with the Dubuque Historical Society and the National Mississippi River Museum in which the current facility, the boat and land-based operations were donated to those entities in exchange for 2.8 acres of land which allowed DJ to finish their expansion project in the Port of Dubuque.

Mr. Moyer provided some additional details on the new land-based facility, explaining that he feels the key to gaming growth in Iowa is the addition of non-gaming amenities. Over the last few years, he has seen more and more capital investment going to non-gaming amenities. Mr. Moyer stated that of the 188,000 square foot facility being built in Dubuque, 35,000 feet will house the casino, with the rest being utilized for a 30-lane bowling center, a sports bar, and a multi-level theater with seating for approximately 700. He noted that a contract has already been signed with The Dooby Brothers. It is anticipated the facility will be completed by fall of this year with all venues open.

Hearing no further questions for Mr. Moyer, Chair Cutler called on DJW. Mr. Aviles commenced his comments by acknowledging the cooperation between the company, WCDA, the staff and DCI. He advised that DJW saw a 50% increase in revenues, which translated into a 42% increase in EBITDA. Revenues totaled almost \$80 million in 2007. Mr. Aviles expressed his belief that the best is yet to come.

Chair Cutler asked Mr. Aviles if he saw any downturn in the market. Mr. Aviles stated that entertainment plays a large part in their revenues, as people still seek entertainment in economic downturns. He stated that he does not see a downturn, but a leveling off of the market; the growth DJW has experienced over the last two years can not be sustained at the current rate. Mr. Aviles stated that DJW would continue to expand their market into other areas that will allow them to continue to grow. He stated that current payroll exceeds \$12 million with 525 employees, and there are still openings. It is his belief that the area will experience significant growth over the next five years.

Noting that statistics are hard to obtain, Commissioner Bair asked Mr. Aviles if DJW has had any impact on the Minnesota Native American casinos. Mr. Aviles stated that pictures sometimes speak louder than words. He advised there is a billboard on South I-35 representing one of the Minnesota Native American casinos which states that

“Diamonds are not a girl’s best friend.” He believes DJW is having some impact on their market, noting that many Minnesotans and other customers have a high regard for what the facility does for the community and surrounding area. He stated that individuals who have a choice between patronizing a Native American facility or DJW are making the choice to come to DJW.

Hearing no further comments or questions for Mr. Aviles, Chair Cutler called on Harrah’s. Bo Guidry, General Manager, addressed Commissioner Bair’s question on strategies for dealing with an economic downturn. Mr. Guidry stated that his job is to drive revenue to Harrah’s and Horseshoe Casino/Bluffs Run Greyhound Park (Horseshoe). He noted that Harrah’s just recently flew two chartered planes into the Omaha airport, which worked well for them. They are continuing to work with the national casino marketing team to locate other facilities within a 2-hour time frame in order to bring in patrons from other facilities. They are trying to book 30-40 concerts at Stir Cove, and have also booked The Dooby Brothers, BB King, and others. At Horseshoe, they are working on preparing a restaurant, Whiskey River, for opening in July. They also hope to break ground soon on the new 150-room hotel tower at Horseshoe. Mr. Guidry pointed out that many markets are declining, but feels the Council Bluffs market is fairly stable with room for additional growth. He turned the floor over to Janae Sternberg, Director of Finance.

Commissioner Hamilton asked about any impact from the opening of the Bass Pro Shop. Mr. Guidry stated they are working with various businesses to allow patrons to utilize their Rewards points at restaurants, gas stations, Bass Pro, etc., but did not provide specific details. As to any specific impact, he indicated Ms. Sternberg would have to answer that question.

Commissioner Bair asked if the patrons being flown in were high rollers. Mr. Guidry indicated individuals considered high rollers or VIP customers in one market may not be considered such in another market. He indicated Harrah’s has a national casino marketing team that works on these issues. Mr. Guidry noted that other properties also benefit when Harrah’s brings in plane loads of customers. Chair Hamilton asked if the individuals being flown in stay more than a day. Mr. Guidry advised that normally they would stay for 2 nights, and sometimes longer. With the increased number of concerts at Stir Cove, Mr. Guidry stated they are going to try to fly 75-100 customers in once or twice a month.

Ms. Sternberg addressed Commissioner Hamilton’s earlier question about any impact from the Bass Pro Shop. She advised that they do see some impact, but as it is marketed as a family destination, it is not a large impact. If there are specialized weekend programs geared to hunting, fishing, etc., they do see a larger impact.

Ms. Sternberg stated that net revenue for Harrah’s and Horseshoe was up \$3.2 million. The properties employ approximately 2,000 individuals in the Council Bluffs/Omaha

market. Harrah's paid \$3.76 million to IWRA, state, city and county taxes of almost \$22 million over the past year, and spent \$16.3 million with Iowa vendors at Harrah's.

Chair Cutler asked about Horseshoe. Ms. Sternberg advised that Horseshoe has been the leader in the Iowa gaming market for the last year. Horseshoe paid state, city and county taxes of \$47.7 million in 2007, \$9.5 million in greyhound purses and supplements with \$450,000 going to the Iowa Breeders' Classic, and approximately \$20 million with Iowa vendors.

Commissioner Bair asked if the \$9 million purse and supplement payments were for live and simulcast. Ms. Sternberg answered in the affirmative. Commissioner Bair asked the length of the purse supplement agreement. Ms. Sternberg advised that it is a five-year agreement. Commissioner Bair asked for specifics on the agreement. Ms. Sternberg stated that beginning in 2008 the supplement increases by \$250,000 each year until 2010 when the purse agreement will be renegotiated.

Commissioner Bair asked if any of the dogs racing at Bluffs Run also race at Dubuque. Ms. Sternberg stated that each kennel has their own group of dogs and that the dogs are sometimes rotated through the kennels. She stated that she was not sure if they share any dogs with Dubuque, noting that most of the Bluffs Run kennels are local kennels.

Commissioner Bair asked if the greyhound races bring additional patrons to the facility. Ms. Sternberg stated the races attract a different type of gambler, but added that they try to introduce the pari-mutuel side of the facility to patrons on the gaming floor by doing different things, i.e. Derby Day on May 2nd.

Mr. Guidry stated that he does not see a lot of pari-mutuel customers crossover to the casino.

Mr. Ketterer asked how much of the increase in EBITDA from 2006 to 2007 could be attributed to the first 75 days of 2007 prior to Horseshoe opening. Ms. Sternberg indicated EBITDA was fairly flat in early 2007 and attributed all of the increase to the renovated and expanded Horseshoe property.

Chair Cutler called on HGI-Lakeside (Lakeside). Damon Butler, General Manager, noted that the weather in early 2007, late 2007 and early 2008 has provided some challenges. He advised that despite the weather, Lakeside paid over \$12 million in gaming taxes, \$3.2 million to the non-profit, city and county, and \$17.2 million for goods and services purchased from Iowa vendors. Mr. Butler stated that the company was able to provide annual increases and bonuses to every employee, and payroll for 2007 was \$12.6 million. He noted through various marketing promotions, they pumped 2.9 million gallons of gas at the convenience store located on property.

With regard to the audit, Mr. Butler advised that any deficiencies noted have been addressed. Gaming revenues were down 5%; however, with revenues from non-gaming

venues, total revenue remained flat year-over-year. Mr. Butler noted that March has proved interesting and provided some surprises. He indicated the company would leverage all the tools available to them to grow the market. Mr. Butler stated that country entertainment is one of their best venues, and they book two or three shows per month. He indicated that with all of the changes and expansions within the industry, the Osceola property is turning into a destination facility. Mr. Butler stated that he has been working with an outside party regarding hotel development, and hopes to bring another 150 rooms to the property. He believes that adding more amenities to the property is the key to continuing to draw customers and grow the destination feeling. He noted that their customer database includes patrons from Minneapolis, Kansas City, Iowa City and Council Bluffs because of their location on the interstate.

Commissioner Bair asked about the amount of business from out-of-state patrons. Mr. Butler advised that he could not provide an exact figure, but noted they do get a fair amount from northern Missouri. Additionally, the property is a good stopping point for travelers going from Minneapolis to Kansas City, and vice versa.

Hearing no further comments or questions for Mr. Butler, Chair Cutler called on Wild Rose Emmetsburg (WRE). Tom Timmons and Scott Ivers, Vice President of Operations and Chief Financial Officer respectively, were available to address the financial audit. Mr. Timmons advised that Wild Rose Entertainment is looking forward to the opening of the new property in Clinton, which will be on one level, have a buffet and sports bar, a convention center, and a hotel – none of which is available with the current facility. Additionally, the new facility will have a tremendous amount of parking, something that has been lacking at the current property. He noted that the City of Clinton has usurped most of the available parking for the last six months due to the construction of a restaurant on the riverfront. The closest available parking is 50-60 spaces in the street, which created another set of issues if it snowed. Mr. Timmons stated that the numbers for the Clinton property are pretty amazing considering everything.

Moving to the Wild Rose Emmetsburg property, Mr. Timmons noted that it is not located on the interstate, but they do a variety of things to draw visitors to the property. The largest towns in the area are the neighboring county seats, which are approximately 25 miles away. WRE made a more concerted effort in 2007 to draw visitors from the lake area to the property. Additionally, they have started an outdoor concert series due to limited seating in the convention center. They are trying to increase the occupancy rate of the hotel by lowering the rates.

Commissioner Bair asked about the occupancy rate of the hotel. Mr. Timmons noted that in 2007 it was less than 45%, but to date in 2008, it is closer to 60-65%. Commissioner Bair asked if any of the rooms are comped. Mr. Timmons answered in the affirmative, but reiterated that the rates have been lowered which he believes has had some impact on the occupancy rate.

Mr. Ivers stated the company is happy with the numbers at the Clinton property. Total revenue was \$30 million, of which \$28 million was gaming revenue. Revenues year over year were relatively flat, but believes revenues would have been up if not for the weather in November, December and January to which he attributed to a decrease in attendance. The Clinton property paid gaming taxes of \$2.4 million, and the non-profit organization received \$1.1 million. There are approximately 300 employees at the Clinton property.

Mr. Ivers advised that some of the issues cited on the Internal Control letters for both Clinton and Emmetsburg are due to the limited staff. He noted the company is aware of those issues, and takes them very seriously. Mr. Ivers stated that the internal audit function is monitored closely, noting that an internal corporate auditor visits the properties on a regular basis. They are continuously looking for ways to segregate duties, and have made some changes.

Commissioner Seyfer noted that the interest expense for the Emmetsburg property almost doubled. Mr. Ivers answered in the affirmative, noting the property was only open for 7 months in 2006.

Mr. Ivers stated that total revenue at the Emmetsburg property was \$30 million, with gaming revenue totaling \$26 million. He noted that expenses have been fairly consistent on a month-to-month basis, and that staff is doing a good job of controlling expenses. WRE paid gaming taxes of \$6 million and \$1.5 million to the non-profit. The Emmetsburg property also employs approximately 300 individuals.

Hearing no additional comments or questions for Mr. Timmons or Mr. Ivers, Chair Cutler called on Riverside Casino & Golf Resort (RCGR). Joe Massa and Dan Franz, General Manager and Controller respectively, were present to address the financial audit. Mr. Massa, noting the facility opened on August 31, 2006, advised the audit before the Commission represents the first full year of operations. He noted that assets total \$137 million, and as of December 31, 2007, \$123 million had been invested in the property. Liabilities as of December 31 were \$111 million, which were reduced by \$4.6 million in the first year of operation. The original equity of \$35 million is now \$25.8 million.

Mr. Massa stated that total revenue for the first full calendar year of operations was \$101 million - \$86.7 million in gaming revenue, \$9 million in food and beverage, and \$3.5 million in hotel revenue. He noted that gaming revenue pretty much matches the projections made in the license application; however, food and beverage revenue is almost double the original projections. Net income for the first year of operations was \$6.8 million, and EBITDA totaled \$25.8 million. Mr. Massa stated that payroll and related expenses is approximately \$18 million for about 830 employees, depending on the season. He noted that approximately 60% of the employees have been there since the facility opened; and RCGR has instituted a profit-sharing program for the employees. Participants have received two payments to date based on last year's profits.

Mr. Massa stated that RCGR paid \$19.5 million in gaming taxes and fees, excluding the \$10 million license fee that was payable up front. He noted that the license application projected an investment of \$99 million, which has been exceeded by approximately \$24 million. Ninety-seven percent of their expenditures, excluding gaming and specialized equipment, are provided by Iowa vendors. In 2007, the non-profit organization received \$3.3 million, and RCGR made additional contributions of \$150,000. Mr. Massa noted that the golf course, which opened on August 1, 2007, has been very well received. The GIVE Foundation, which is a partnership to provide golf instruction to injured veterans, is doing well. Mr. Massa stated that the Senior PGA Open will be shown on NBC on Memorial Day weekend, and there will be several spots talking about the GIVE program, providing national exposure. The golf course was named the third best golf course in the United States. Ground was recently broken for the golf school, which should be up and operating by early summer. Mr. Massa advised there are approximately 350 investors in the company, mostly Iowans, and the company was able to return 22.5 percent of their original investment in the form of a dividend, or a return of 7.5% per year for the three years they have had their money invested.

Commissioner Hamilton asked about golf course revenue. Mr. Massa advised that golf course revenue was minimal last year due to opening late in the season.

Commissioner Bair thanked Mr. Massa for sharing the projections, noting it is easy to lose sight of those figures. He suggested that comparisons between projections and actual figures be included with the license renewal applications, particularly on the newer properties.

With regard to Commissioner Bair's question on strategy in the event of an economic downturn, Mr. Massa stated that RCGR is cautiously optimistic about the future. He noted there are new casinos in their market area, and others are being revitalized, but indicated RCGR is up to the challenge and can meet the competition. Mr. Massa advised that RCGR is really emphasizing the non-gaming side of their property. They are excited about the first full season for the golf course, noting that about 12% of the golf slots are already booked. Mr. Massa stated that the property is becoming a destination area for a large number of people. Group sales and conventions are also increasing.

Hearing no further comments or questions for Mr. Massa, Chair Cutler called on IWRA. Jerry Mathiason, Executive Director, noted IWRA is the non-profit license holder for Horseshoe/Bluffs Run, and the licensed sponsoring organization for Ameristar and Harrah's. He stated that IWRA received \$7.9 million in license fees in 2007 - \$3.6 million from Harrah's and \$4.3 million from Ameristar.

Mr. Mathiason noted that in previous years Commissioner Bair inquired about compliance with the Sarbanes Oxley Act, and advised that IWRA has established a governance committee to insure they stay on top of those issues – conflict of interest, training of board members, self-dealing, and IRS issues.

Hearing no comments or questions for Mr. Mathiason, Chair Cutler called on the Dubuque Racing Association (DRA). Roger Hoeger, Assistant General Manager and Controller, advised that DRA had adjusted gross receipts of approximately \$71 million, which was a 3-4% increase over 2006. They paid wagering taxes of \$15.3 million, rent in the amount of \$9.8 million to the City of Dubuque, and payroll expenses exceeded \$11 million. Mr. Hoeger stated that distributions to the City of Dubuque and charities decreased slightly to \$7.7 million. DRA saw a change of \$408,000 in net assets compared to \$707,000 in 2006. With regard to balance sheet items, Mr. Hoeger noted DRA spent approximately \$2 million on the purchase of slot machines and IT needs.

Mr. Ketterer stated it was his understanding that DRA paid \$7.7 million to the City of Dubuque and qualified recipients. Mr. Hoeger answered in the affirmative. Mr. Ketterer asked how much actually went to the city. Mr. Hoeger answered 4/7th of that amount. Charities received approximately \$3.2 million with the balance going to the city. Mr. Ketterer clarified that DRA paid rent of \$9.8 million to the city in addition to the amount mentioned above. Mr. Hoeger again answered in the affirmative, noting the amount is based on 1% of coin in and 1% of the unadjusted drop.

Commissioner Bair asked how much of the simulcasting revenue of \$5.6 million is attributable to live racing. Mr. Hoeger indicated it was approximately \$2.2 or \$2.3 million, with the rest coming from simulcast. He noted the casino purse supplement of \$3.4 million outstrips the live racing handle. Commissioner Bair asked Mr. Hoeger if he considered Horseshoe/Bluffs Run to be a competitor. Mr. Hoeger answered in the negative, advising that the biggest competitor for the pari-mutuel operations is the slot machines.

Hearing no additional comments or questions for Mr. Hoeger, Chair Cutler called on Prairie Meadows Racetrack & Casino (PMR&C). Gary Palmer, General Manager, advised that Ann Long Richard and Derron Heldt, Vice President of Finance and Director of Racing respectively, were also present to address questions on the audit.

Mr. Palmer stated that PMR&C had a good year in 2007 with an increase in revenues of 3.8% over 2006, and community betterment, direct and indirect, was \$37 million, or an increase of \$1.9 million from 2006. He noted that PMR&C returns approximately 25% of its net revenue to the community. Mr. Palmer stated that under generally accepted accounting principles, the lease structure will make the depreciation account large now through 2010 due to the \$56 million expansion. The project has to be depreciated to zero by the end of the lease period – December 31, 2010.

Mr. Palmer advised that payroll was approximately \$53 million, state taxes were \$47 million, and there are approximately 1300 full-time and 200 seasonal/part-time employees.

Mr. Ketterer, referring to the audit, noted that Polk County received \$15.6 million for rent. Mr. Palmer indicated that was correct. Mr. Ketterer asked how much more money

Polk County received from PMR&C. Mr. Palmer advised that it was approximately \$7 million more – tax sharing and profit sharing. He noted the county received approximately \$27 million via the lease agreement, contributions to the Des Moines school system and contributions made through the grant process.

Mr. Palmer noted that Mr. Ketterer had raised the issue of the direction of the racing program at PMR&C and the thought process of the Board at the March Commission meeting. Mr. Palmer requested an extension of time to June or July to respond, noting that the Board has a retreat scheduled for May 17th and that is an agenda item.

With regard to Commissioner Bair's question on strategy to deal with an economic downturn, Mr. Palmer advised that PMR&C is doing great, and has a great future. Commissioner Bair noted that PMR&C has talked about building a hotel, and asked the status, as well as anything else in the works. Mr. Palmer stated PMR&C is definitely looking at constructing a hotel, and are seeking legislative relief from the required referendum, which makes it difficult to obtain long-term financing. If they are unsuccessful in the legislature, Mr. Palmer advised there are several board members in favor of seeking alternative financing in order to proceed with construction of a hotel and parking ramp. He noted that they also do a lot of direct mail, promotions, and guest service. Mr. Palmer stated that PMR&C just had the best March in its history, and remains cautiously optimistic.

Following a short break, Chair Cutler reconvened the meeting and called on The Isle casino & hotel at Waterloo (The Isle) for contract approval. Curt Beason, legal counsel, presented a contract with Martin Bros. Distributing Co., Inc. for food and beverages.

Hearing no comments or questions concerning the contract, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contract as submitted by The Isle. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 08-40)

Chair Cutler called on Lakeside Casino & Resort. Mr. Butler presented a contract with Sapp Brothers for the purchase of fuel for the C-Store.

Hearing no comments or questions concerning the contract, Chair Cutler requested a motion. Commissioner Bair moved to approve the contract as submitted by Lakeside. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 08-41)

Chair Cutler called on DJW. Lori Nelson, Director of Finance, presented a contract with Ron's LP for LP service.

Hearing no comments or questions concerning the contract, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contract as submitted by DJW.

Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 08-42)

Chair Cutler called on DJ. Mr. Moyer presented a contract with Wells Fargo Foothill, an amendment to extend the term of the current credit facility.

Mr. Ketterer advised the Commission members that this was the contract for which they received additional information the previous evening.

Hearing no further comments or questions concerning the contract, Chair Cutler requested a motion. Commissioner Urban moved to approve the contract as submitted by DJ. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 08-43)

Chair Cutler called on Riverside. Mr. Massa presented the following contracts for Commission approval:

- Acushnet Company – Wholesale for Retail Golf Pro Shop
- Flynn Wright – Marketing Agency
- Gazette Communications, Inc. – Advertising Print & Billboards
- Iowa City Press Citizen – Advertising Print
- King Food Service – Food Purchases
- Loffredo Fresh Produce CO., Inc. – Food Purchases
- Mid American Energy – Gas Usage Charges
- Nike USA Golf – Wholesale for Retail Golf Pro Shop
- Romeo Entertainment Group, Inc. – Entertainment Broker
- Waitt Outdoor of Omaha – Outdoor Bulletin Signage
- Well Fargo – Debt Refinancing
- Zurich Deductible Recovery Group – Workers Compensation Deductible Recovery

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by Riverside. Commissioner Urban seconded the motion, which carried unanimously. (See Order No. 08-44)

Chair Cutler called on IOCB. Mr. Beason noted the second contract listed pertained to IOC Davenport. Mr. Beason presented the following contracts for Commission approval:

- Truss Plus – Finish Carpentry & Construction
- IOC Davenport, Inc. – Blackhawk Hotel Transfer Agreement

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Hamilton moved to approve the contracts as submitted by IOCB

and IOC Davenport. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 08-45)

Chair Cutler called on WRC. Mr. Timmons presented the following contracts for Commission approval:

- Midwest Casino Supply – Purchase of Casino Table Games and Slot Machine Seating
- Data Business Equipment, Inc. – Purchase of Cage and Count Room Equipment and Kiosks

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted by WRC. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 08-46)

Chair Cutler called on Horseshoe. Jeannie Magdefrau, Vice President of Finance, presented the following contracts for Commission approval:

- D & B Construction, Inc. – Construction Work
- Mid-America Center – Retail & VIP Concerts held at the Mid-America Center
- Sport View – Video Recording & Broadcasting of Races

Hearing no comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Bair moved to approve the contracts as submitted by Horseshoe. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 08-47)

Chair Cutler called on Dubuque Greyhound Park & Casino (DGP&C). Mr. Wentworth presented a contract with Cottingham & Butler Insurance for property and casualty insurance.

Hearing no comments or questions concerning the contract, Chair Cutler requested a motion. Commissioner Bair moved to approve the contract as submitted by DGP&C. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 08-48)

Chair Cutler called on PMR&C. Mr. Palmer submitted the following contracts for Commission approval:

- Cash Systems, Inc. – Renewal of Casino Guest Credit Card Cash Advance Services Agreement
- Global Payments – Renewal of Casino Guest Check Cashing Services Agreement

Chair Cutler asked about the contracts with Cash Systems and Global Payments. Mr. Palmer advised that Cash Systems pays PMR&C a commission for each transaction, but PMR&C does pay them for providing the service.

Chair Cutler wondered why the individual would not cash their check directly with Global Payments thereby removing any responsibility from the casino. She asked if PMR&C also receives a commission on these transactions. Mr. Palmer answered in the affirmative. Ms. Long advised that PMR&C does not charge patrons a fee for cashing a check. She noted the service guarantees the check, therefore PMR&C does not have the risk of trying to collect on insufficient funds (NSF) checks.

Commissioner Bair asked if Global Payments was a processor. Ms. Long stated that PMR&C deposits the checks in their bank account, and if a check comes back as NSF, the bank sends it directly to Global Payments for collection. Commissioner Bair asked if they operate on a flat fee versus a percentage. Ms. Long advised that Global Payments receives a percentage of the check amount.

Commissioner Seyfer noted that the amount being submitted this year is over \$1 million higher than last year. Ms. Long stated that the volume of checks being cashed has grown as PMR&C no longer charges its patrons a fee for cashing a check. She stated that in a survey of other properties, PMR&C determined they were the only one charging a fee. Global payments will not accept any third-party checks; the check must be made out to PMR&C and have the individual's name, address and phone number on the check.

Commissioner Bair asked if the contract had been sent out for competitive bid. Ms. Long advised that bids were received from both Cash Systems and Global Payments to perform this service, and that Global Payments' bid to provide this particular service was cheaper at this time.

Hearing no further comments or questions concerning the contracts, Chair Cutler requested a motion. Commissioner Seyfer moved to approve the contracts as submitted by PMR&C. Commissioner Bair seconded the motion, which carried unanimously. (See Order No. 08-49)

Mr. Palmer distributed an updated report on PMR&C's continuing research on the artificial racing surfaces. The report contained several articles, both for and against the surfaces, from various newspapers and racing magazines. He noted that Bob Gorla, Director of Facilities, recently attended a meeting at Keeneland on the welfare and safety of the racehorse during which several opinions were expressed. Mr. Gorla will be attending another conference in June. Mr. Palmer advised that PMR&C still feels that more time and study is needed prior to making a decision as to an artificial surface at PMR&C.

Mr. Ketterer stated that he felt it was important for PMR&C to stay current with the changes; that there are still three or four types of synthetic surfaces on the market, what

combination of materials is best for the climate of the racing facility, and maintenance. He noted the ultimate goal is to have the safest track surface possible.

Chair Cutler called on IWRA and the Iowa Greyhound Association to review the financial audit for the escrow account ending December 31, 2007. Jim Quilty, legal counsel, advised that the account balance is just over \$5 million. He noted there were only minor expenses withdrawn from the account over the past year – management fees, web site maintenance, shared expenses, and the audit fee.

Mr. Ketterer advised this item appears on the agenda annually for review purposes only.

Hearing no comments or questions for Mr. Quilty concerning the escrow account audit, Chair Cutler moved to the distribution of the Horse Racing Promotion Fund. Keith Soring, DVM, Director of Racing, noted that the Iowa Pari-Mutuel Wagering Act requires 2% of the breakage to go to the Horse Racing Promotion Fund. The fund is to be used for public relations, research, education or the promotion of horse racing. The funds in the amount of \$4,123.29 have been awarded to Legacy Harness Horse Foundation, the only applicant for the funds this year. Legacy Harness Horse Foundation, last year's recipient of the funds, has submitted an accounting of how those funds were utilized.

Hearing no comments or questions for Dr. Soring, Chair Cutler requested a motion. Commissioner Bair moved to approve the distribution of the Horse Racing Promotion Fund in the amount of \$4,123.29 to Legacy Harness Horse Foundation. Commissioner Hamilton seconded the motion, which carried unanimously. (See Order No. 08-50)

Chair Cutler moved to Administrative Business and the issue of the study on additional licenses in the state. Mr. Ketterer pointed out that the Commission expressed its desire to engage a study of the gaming market in Iowa at the March meeting. He noted that staff has distributed some information regarding the Request for Proposal (RFP) process for the state, and a sample RFP previously utilized by IRGC. Mr. Ketterer stated that he felt there was a need for further discussion by the Commission members as to their ideas on what should be included in the study in terms of scope and focus. He suggested that a committee be appointed to work with staff; the first task would be to develop a draft RFP between now and the June Commission meeting for review by the full Commission at the next meeting.

Chair Cutler concurred with Mr. Ketterer's comments. She extended an invitation to licensees, interested communities, or others involved in the industry to submit information as to what areas they felt the study should address so that the study covers as many areas as possible in order to obtain a true picture of the gaming industry in Iowa. Those suggestions can be mailed or e-mailed to the Commission.

Commissioner Urban stated there should be some broad questions that cover the entire state. She would also like to see the four communities still seeking a license included to

see how those communities and the proposed market area would overlap with existing casinos. Chair Cutler indicated that if there are other communities interested in seeking a license, they should let the Commission know so they can be included in the study. Commissioner Urban stated she felt the Commission and/or committee should determine what information they would like to see regarding the impact of a casino in those communities/counties.

Commissioner Hamilton concurred with Commissioner Urban's comments, but would add the population within a 60-mile radius to determine the socio-economic impact on the population. She would like to know if residents within the 60-mile radius have the discretionary income and can afford to spend it at a casino.

Commissioner Bair stated that he hoped the study would establish some benchmarks for the Commission to follow. He noted that all the visitors within a 60-mile radius to a proposed casino could be local, which would limit the economic impact, even with the creation of jobs. He feels the study should look at what the true economic impact is on a community - jobs versus money spent at the casino instead of other businesses, etc. Commissioner Bair stated the study should also look at the entertainment value, noting that the Commission heard some of the success stories today from current facilities who have venues other than gaming to attract visitors.

Commissioner Seyfer stated that he concurred with all of the previous comments. He stated that he felt it was important to look at the various markets and determine their ability to attract out-of-state visitors. Commissioner Seyfer indicated the study should determine if there are markets that are underserved or are under-performing. He indicated the key to determining those factors is for the study to determine the appropriate capital investment for a casino in those areas.

Chair Cutler stated that she would like to see how Iowa's aging population, rising gas prices, and unemployment impacts revenues. She noted there are some issues facing the state that need to be considered. Chair Cutler concurred with Commissioner Bair on the issue of additional amenities, and determining if there is sufficient market support for the casino and amenities. Chair Cutler stated that the committee would work to refine the questions to be answered by the study, but feels that in addition to those communities/counties that have expressed an interest in a casino, it should look at the whole state to determine what areas are underserved or unserved. She pointed out that the study could possibly highlight an area that is not yet on anyone's radar screen. She noted that not everyone foresaw the opportunities/potential when they granted the license to DJW.

Commissioner Bair stated that Chair Cutler's call for ideas and input from those in the industry would be very valuable. He stated that he felt the committee would welcome any and all thoughts.

Chair Cutler moved to the last item under Administrative Business – a discussion on the penalties for violations of the voluntary self-exclusion law. Commissioner Seyfer stated that the subcommittee and Mr. Ketterer met with Jane Bell, Chair of the Iowa Gaming Association (IGA), Mr. Aviles and Wes Ehrecke, President of the IGA. He noted they received good feedback on how the penalties are working, but advised that everyone agreed that revisions are needed. The subcommittee requested the industry representatives to collect some information and report back to them in order to get a better sense of direction in this particular area. Commissioner Seyfer noted that one of the concerns voiced was the amount of the penalties. He is hopeful of having a proposal before the Commission at the June meeting.

As no one signed up for Public Comment, Chair Cutler called for a motion to adjourn. Commissioner Bair so moved. Commissioner Seyfer seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK